SKU Optimization
Eliminating Redundancy Provides for Optimal Consumer Choice

“Eliminating SKU duplication from product assortments provides opportunities for the inclusion of unique, loyalty-building SKUs and improves the overall shopping experience.”


Benefits of SKU Optimization programs for the retailer

- **Consumer focus:** Deliver an assortment relevant to your consumer instead of offering everything
- **Cost savings:** Retailers’ gain in-store efficiencies by eliminating SKU duplication
- **Better merchandising:** Reduce store clutter and simplify the consumers’ shopping experience
- **Improved customer satisfaction:** Better control over inventory reduces out of stocks

Private Brand & SKU Optimization

- Third and forth-tier brands create redundancy - stealing share from retailers’ own brands
- Retailers have experienced success carrying the leading one or two brands in a category and offering Private Brand
- “Private label ‘performs a specific role in each category's assortment and usually is not affected by SKU optimization’”

-“Store-Brand Share Dips, But Don't Bet on a Trend,” SupermarketNews, June 2010
Best Practices for a SKU Optimization Process

- Start with the consumer – clearly define what your consumer values, wants, buys, and uses. An effort in SKU optimization should be led by Marketing and Sales, not by Finance and Operations.

- What to eliminate and what to add? Don’t just focus on volume, but ask yourself:
  - Are we missing critical sizes and flavors?
  - Do we have opportunities to trade shoppers up or down – on size or value-tier?
  - Where is there unnecessary duplication?

- Look at item turnover - use out-of-stock measures as a gauge to understand which items move the fastest. Assess the optimum facing for each item.

- Ensure you are filling assortment gaps – following market trends and consumer needs.

- Triple Benefit - Improve shelf image/clarity of the assortment and shopper ease with the assortment of flavors, packaging, sizes, and labels.

- Don’t arbitrarily create a set of program targets or timelines. Conduct the process as the business warrants it and when the market dictates it.